

The Changing Landscape of Canadian Labour Market Policy

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- presentation addressed 3 themes: institutional setting of policy-making; labour market trends in Canada; and the current policy agenda (very briefly on the latter)

[A] Institutional Setting

- Donald Savoie and Jeffrey Simpson [*The Friendly Dictatorship*] introduce us to the notion that government in Canada is highly executive-dominated; and that a small number of executive actors are key to major decision-making.
- reflects a longer tradition of scholarship that stresses executive dominance of legislatures and of relations with non-governmental actors in Canada.
- This characterization, though sometimes exaggerated, may be true, to a degree, in relation to labour market policy-making in Canada
- Policy-making has been dominated by federal and provincial executives; the chief relationship has been *between* them: executive federalism
- See histories of labour market policy making in Canada by Les Pal [*State, Class, and Bureaucracy*; McGill-Queen's University Press, 1988] and Stephen McBride [*Not Working*; University of Toronto Press, 1992].
- I devote a section of my chapter "the Political and Institutional Landscape of Canadian Labour Market Policy-Making" to this theme; it is referenced in the 'Selected readings', circulated with the conference documentation.
- Why does this matter? There is evidence that a successful commitment to active labour market policy requires that the private sector share this commitment, and that it participate actively in shaping and delivering labour market policy.
- Where this happens, a 'high skills' equilibrium may be established, which permits employment income to reduce poverty and earned income inequality substantially; see David Ashton and Francis Green, *Education, Training and the Global Economy*, Edward Elgar, 1996.

- Where this commitment is lacking, by contrast, a 'low skills' equilibrium is more likely. Middle class citizens are likely to be well served by a public education system, leading to a university degree; others will not (Ibid)
- At the same time, it is important to note that these patterns of private sector involvement reflects the structure of labour market demand; skills are 'provided' when there is a demand for them.
- Canada has experimented with involving societal partners in labour market decision-making since the early 1990s. At the 'macro' (federal or provincial) level, most of these have failed. The federal labour force development board closed at the end of 1999; 4 of 7 provincial boards are closed. Quebec's Commission des partenaires du marché du travail survives with the most extensive mandate; advisory structures also continue to exist in Saskatchewan and (I believe) New Brunswick. See Andrew Sharpe and Rodney Haddow, eds., *Social Partnerships for Training*. Queen's University School of Policy Studies, 1998.
- These bodies have been much more successful at the sectoral level. The 'what's in it for me' question is more readily answered at this level. Business and (where they are involved) union participants can clearly identify how enriching skills in their sector will enhance productivity within their sector. Similar structures exist in some provinces.
- The failure of these experiments above the sectoral level can largely be attributed to several factors in Canada: in particular, industrial relations is decentralized, meaning that labour and business lack institutions for effective macro-level bargaining; there is also no culture to support this.
- Yet, it seems unlikely (to me) that the inequality- and poverty-reducing potential of an engaged private sector can be accomplished exclusively at the sectoral level, given their narrow scope.
- So this institutional setting has a particular bearing on our policy-makers' ability to accomplish these 'equity' objectives through labour market policy-making.

[B] Labour Market Trends:

- The trends identified below are again outlined in the chapter listed in the conference reading list:
- the Canadian pattern of change in this area reflects international trends.
- there is a rapidly rising premium on education in the labour market; this is especially noticeable among the young.

- This can be linked to the emergence of a service economy [rather than a ‘knowledge economy’, strictly speaking]. Such an economy will, *ceteris paribus*, generate a more unequal structure of earned or market income than will an industrial economy. See Gosta Esping-Andersen, *Social Foundations of Postindustrial Economies*. Oxford University Press, 1999.
- If this is true, the ‘equity’ policy objective discussed above will represent an ever-more-challenging one in the future.
- As of a few years ago, at least, the education ‘premium’ had not increased markedly in Canada, unlike the US (ie. the advantage that the educated have over the uneducated had not increased). But this is probably because the supply of education, which has risen rapidly, has matched rapidly rising demand. This may not continue to happen in the future.
- If it is true that a more service-based economy intrinsically generates a variety of low-skill jobs as well as high-skill (knowledge-rich) ones, then countries face two choices in dealing with this sector. (Esping-Andersen discusses this):
 - They can use PLMP and ALMP to maintain effective minimum wages (or ‘reservation wages’) at relatively high levels. This will stymie the emergence of these jobs. Result: unemployment. Example: many (but not all) European countries. This has typically happen in what Esping-Andersen calls Europe’s ‘conservative’ welfare states (such as Germany, France and Italy), but not so much in its ‘social democratic’ ones (ie. Scandinavia).
 - Or such jobs can be allowed to emerge in large numbers through policies that ensure a relatively low reserve wage: In this case, unemployment will be low, but earned income inequality, and poverty levels, will be relatively high. Example: the US.
- Canada is clearly somewhere in between these models; here, more concretely, is how our labour market has evolved over the past two decades:
- As in most other countries, and probably reflecting this move to a more service-based economy, inequality in earned income has increased significantly since the 1980s.
- But until the mid-1990s, at least, this had not translated into more unequal final incomes. This can only be accounted for by the factors that lie between market and final income: taxes and transfers. In other words, Canada’s relatively generous UI and social assistance programs (its PLMP), along with its tax structure, ‘compensated’ for growing earned income inequality, and prevented it from translating into more unequal results.
- As we know, UI (now EI) was cut substantially in the mid-1990s, and social assistance benefits have been cut in many provinces. We do know (see the National Council of Welfare’s annual profile of poverty) that poverty rates remained relatively

high in Canada throughout the 1990s business cycle upswing. The likelihood is that final income inequality is now growing too, once you adjust for the business cycle.

- In this respect, PLMP played an important role for the Canadian labour market, one that should not be ignored.
- Moreover, the overall *public* commitment to ALMP has not improved in Canada during these years, even if ALMP is now larger as part of the whole LMP ‘pie’ (ie. the slice is the same, but the pie has gotten a lot smaller!)
- To repeat a theme addressed earlier, the inability of our ALMP models to provide an alternative ‘compensatory’ framework is related to the macro-institutional setting discussed in section [A].
- rising inequality therefore would be predicted by two trends identified above: the secular trends associated with an emerging service economy, and the policy changes identified above.

[C] Policy Agenda:

- We face some rather complex problems. We can anticipate some negative consequences of continuing our current trajectory of constraining PLMP and of making only incremental adjustments in ALMP (I am referring to the content of policy here, not to who is delivering it).
- These are likely to not compensate for the secular changes identified above, and may even reinforce them.
- On the other hand, there are no easily-identifiable alternatives. Policies to simply ‘train more’, or otherwise enhance ALMP, must be approached with caution.
- It is not clear that simply injecting skills into the labour market will ensure that there is a market for these skills. This is an implication of Ashton and Green’s analysis, alluded to above.
- Of course, this does not preclude the selective use of ALMP, attempts to reinvigorate the use of alternative governance structures of the type experimented with in the 1990s (this time, perhaps, with greater caution, and attention to the contours of the Canadian context), a reconsideration of the trajectory we embarked upon with PLMP, and [as Gerard Boychuk suggested in his presentation] efforts to bridge the gap between PLMP and ALMP in more creative ways.
- I terminated by presentation with the following questions:
- Are we willing to invest in ALMP more than we have?

- Can we, in fact, identify clear areas of labour market shortage/need which will make such investments worth while?
- Is the trend towards low pay in much of the service sector inexorable?
- If so, what social policies, if any, might be used to address the implications of this trend?